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1. Extortion, raids, and other oppressive acts directed against Chinese residents of the Philippines by Philippine Government and Nationalist Chinese officials have increased substantially since 1 January 1951. While the pattern of these oppressive activities is well known, the underlying causes are complex and they cannot be immediately determined.
2. The principal motivation of the officials who are involved in these activities appears to have been that of personal profit. Among the Nationalist Chinese officials involved, a second motivation may be a desire to ensure the political orthodoxy of Philippine Chinese in terms of unswerving political loyalty to CHIANG Kai-shek.
3. Both Philippine and Chinese officials probably hope that these activities also will serve to reduce Communist influence in the Philippine Chinese community. However, the Chinese are becoming uneasy under this treatment. Many Chinese have been forced to the conclusion that they might expect better treatment from a Communist regime than they are receiving from the present Philippine Administration.
4. Members of the Philippine Chinese community were extremely interested in the Government's conduct of the CO Pak Deportation case. The Government produced evidence at the deportation hearings indicating that CO had contributed financially to the Chinese Communist Party and to Philippine dissident groups. The Government also claimed that CO attempted to bribe the Deportation Board.
5. CO was not admired by leading Philippine Chinese businessmen who were convinced that he may have contributed to the HMB and to the Chinese Communist Party in order to protect his interests in gambling, prostitution, and narcotics smuggling. After CO was deported in February 1951, these Chinese became convinced that the Government's evidence had been fabricated. There have been indications that the Philippine Military Intelligence Service previously has manufactured evidence to support a case, sometimes on direction from a higher authority.

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6. Chinese leaders who previously had believed that CO supported the Communists learned from members of his family that he had been visited in December 1950 by Senator J.S. Montano who told him that the Government had evidence against him which was to be used in deportation proceedings. Montano told CO that his deportation could be prevented by a payment of ₱1,000,000. CO was aware that his racketeering might lead to his deportation, and he offered to pay approximately ₱100,000, claiming that he would be obliged to liquidate all his assets to pay the larger sum since he was worth only ₱1,200,000.
7. Montano reportedly refused to accept ₱100,000. He returned after several days with SHIH I-Sheng, Secretary General of the Philippine Kuomintang organization, who, acting as mediator, convinced Montano to accept ₱300,000. CO claimed that he would consider the matter, but that this payment would bankrupt him.
8. Shortly after Montano's later visit to CO, Major General Mariano Castaneda, then Chief of Staff of the Armed Forces of the Philippines (AFP), reportedly urged Major Jose P. Cardenas, then Chief of MIS, to withdraw the charges against CO. Cardenas reportedly refused, claiming that CO had supported the Communists. Subsequently, House Speaker Eugenio Perez reportedly asked Defense Secretary Ramon Magsaysay to kill the charges against CO, claiming that he did not believe CO was guilty and that CO had promised him financial support in the election. Magsaysay reportedly refused to intervene.
9. Members of the CO family have claimed that neither CO nor his family offered bribes after he was arrested. After CO's arrival in Taiwan, the Nationalist Government informed Ambassador CH'EN Chih-p'ing that there was not sufficient evidence to convict CO of aiding the Chinese Communist Party. CH'EN was directed to procure additional evidence from the Philippine Government.
10. On the basis of evidence submitted by MIS, the Manila Municipal Court issued warrants for the arrest of Vicente CO and CO Kuan, CO's son and brother, on 1 April 1951. CO Kuan was approached on 2 April 1951 by SHIH, who offered to have the warrant withdrawn for ₱100,000. SHIH accepted the ₱20,000 which CO Kuan offered, and it is not known if the warrant was withdrawn. By 6 April 1951, neither Vicente CO nor CO Kuan had been apprehended by the Manila Police or MIS.
11. Under the pretext of arresting Communists and Communist sympathizers, the Manila Police began a series of raids on Chinese residences in Manila early in March 1951. Raiding parties are equipped with warrants which are issued by Judge Icasiano on an average of ten per day, or with MIS evidence. Chinese Communist pamphlets are planted on the premises raided.
12. The threat most commonly used is that of deportation. Since most Philippine Chinese do not have citizenship or may lose it for real or alleged offenses, they are extremely vulnerable. Deportation may mean loss of local assets, as well as possible punishment on Taiwan if they are charged with Communist activity.
13. When arrests are made, the poorer Chinese are released immediately on payment of bribes ranging from ₱300 to ₱500. The more affluent individuals are ordered to report to the Police at a later date. These latter are visited after the Police depart by SHIH who offers to arrange financial settlements for payments based on the wealth of the individuals. Chinese who are in fact guilty of some minor offense also are subjected to such extortion.

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14. At least one local Kuomintang official shares in the extortion, and many Chinese believe that CH'EN may also be receiving a share, although this still has not been proved. However, SHIH could not act as he does without the Ambassador's knowledge. On occasion, CH'EN has threatened to deport certain Chinese suspected of engaging in anti-Communist activities without direction from Taiwan.
15. In recent weeks, Philippine officials have compiled a list of more than 90 Chinese who are to be deported, principally on the grounds that they have violated price control laws. Nationalist officials in Manila have advised the Ambassador that the list includes the names of anti-Communist Chinese whom he should protect from deportation. Some of those slated for deportation have been visited by SHIH who has offered to arrange their clearance for a financial settlement. Nationalist officials believe that the Ambassador has neglected to take up the matter with Philippine officials.
16. Leaders of the Philippine Chinese community reportedly have long been dissatisfied with the extent of the protection from Philippine officials which has been given by the Ambassador. It is believed that CH'EN has been an obstacle in their efforts to develop amicable relations.
17. CH'EN is said to have sought to emphasize the foreign character of the Philippine Chinese community and to keep it apart from the Filipinos and thereby under his control. Chinese leaders cite as evidence of this the speeches made by CH'EN on the subject of Philippine-Chinese relations in which he declared that Chinese who are guilty of illegal activities should be shot. These leaders believe that CH'EN's remarks have tended to brand the entire Chinese community as composed entirely of law-breakers.
18. CH'EN also has been criticized by these Chinese leaders for his attempts to organize an anti-Communist committee among Philippine Chinese which he could dominate himself. This committee is not criticized for its purpose, but for the fact that it is to be exclusively Chinese in character with its activities limited to parades and rallies which it is believed accomplish no practical purpose.
19. CH'EN's efforts to raise funds for the defense of Taiwan also have been questioned. Under his urging, a fund of ¥600,000 was collected for this purpose in the last year, and CH'EN has insisted that ¥10,000,000 must now be collected, although Chinese leaders have declared that they would prefer to contribute to Philippine defense.
20. According to Chinese leaders, CH'EN recently informed Defense Secretary Magsaysay that the Military Intelligence Service (MIS) list of Philippine Chinese Communists was inaccurate, but he possessed a complete and accurate list. CH'EN does not in fact possess such a list, but he has since been endeavoring to compile one which the Chinese leaders fear may include the names of anti-Communists or persons who are CH'EN's political enemies.
21. In an effort to improve relations between Philippine Chinese and the Filipinos, Chinese leaders have determined to organize a group which will be known as the Chung Pei Hsieh Hui (中菲協會), or Sino-Philippine Association, which will include prominent Filipinos. The provisional group of this organization is headed by YANG CH'I-t'ai. Vice Chairmen include SHIH Hsiang-shui (施祥水) and YAO Nai-k'un (姚耐君). Other important Chinese members include Albino Sycip and Peter LIM (林偉伯). This organization will attempt to represent the Chinese community in its relations with the Filipinos in solving outstanding Sino-Philippine problems. A Filipino of outstanding political reputation will be sought as honorary chairman, with persons of similar stature as its directors.

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22. Leaders of the Philippine Chinese community have prepared a study of Chinese Communist activities in connection with efforts to eliminate Communism in the country. The survey is based on investigations made by various Chinese business organizations and intelligence investigations by various Chinese. Important conclusions of the summary include the following:
- a. There are approximately 4,500 Chinese Communists in the Philippines, of whom approximately 750 are armed. All of the Chinese Communists are "convinced Communists", and most of them are Party members.
 - b. Most of these Chinese Communists are retail clerks, with the remaining members drawn from the ranks of students, cultural workers, educators, merchants, and gangsters, in that order. The largest concentrations of Chinese Communists are in Manila, Central Luzon, Southern Luzon, and Mindanao, in that order.
 - c. The number of Philippine Chinese who support the Communists or who are in sympathy with them is difficult to ascertain. Many individuals support the Communists only because they are coerced.
 - d. Details of the activities of Chinese Communists in the Philippines are not known. However, it is believed to be certain that Chinese Communist Party organizers and technicians have been sent from China to the Philippines, that Philippine Chinese Communists communicate with China by clandestine radio, and that some light weapons and funds have been smuggled from China to the Philippines.
 - e. There is some evidence to suggest that Philippine Communists have received technical, financial, and other assistance from a large scale clandestine operation which may be directed from the USSR. It is believed that this operation has utilized Chinese, as well as Filipinos and Europeans, in the Philippines.
23. The Chinese leaders who prepared this study plan to continue their investigations and to prepare plans for a project to be operated in conjunction with the Philippine Government to eliminate Communist influence in the Chinese community.

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Comment. [redacted] are previous reports which described extortion raids on Philippine Chinese, principally Manila Chinese businessmen, by the Manila Police Department and other Government officials. [redacted] described the efforts of CH'EN Chih-ping, Nationalist Ambassador, to prevent Philippine Chinese from engaging in Chinese Third Force activities.

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